

Request:

EDiv-CUB-1.06

On page 10 of his testimony (CUB/CCSAO Exhibit 2.0), Mr. Steinhurst recommends that the Commission "Affirm that, regardless of which procurement method is employed, retail rates remain subject to traditional regulatory standards of justness and reasonableness, which entail a prudence review of the company's decisions."

- (a) If the Commission ultimately decides on an auction process, similar to the one proposed by ComEd, would Mr. Steinhurst still propose that the procurement of power through the auction be subject to "a prudence review of the company's decisions"?
- (b) In that case, what type of decisions would be subject to such a review?
- (c) Does Mr. Steinhurst have any concerns that such a prudence review would negatively affect the willingness of potential suppliers to bid in the auction? Explain why or why not.

Response:

- (a) Yes. The scope of that review should include, but not be limited to, the prudence of the Company's actions that led to the need for procuring power through the proposed auction. Also, if, as Mr. Steinhurst recommends, ComEd were charged with conducting resource procurement for default service, its decisions in connection with such procurement, whether relying on competitive markets or processes or not, should also be subject to review.
- (b) Please see answer to question 1.06(a).
- (c) If the Commission chose to authorize the specific type of auction process proposed by ComEd, there is a concern. Specifically, it has been asserted that potential wholesale bidders would be less interested in the proposed auction if they knew that the utility's actions would be subject to substantive review other than its compliance with approved auction procedures. This concern has been framed in terms of substantive review of either approval of the auction, itself, or of full cost recovery for power purchased pursuant to an approved auction result. Mr. Steinhurst believes that this concern may have some merit, but does not believe that its degree of seriousness has ever been objectively assessed. However, utilities that were subject to prudence review of power purchases in subsequent rate making proceedings have conducted successful competitive procurements.

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Witness _____

Date 9-7-05 Reporter CB